

	29-Nov	06-Dec	Change		29-Nov	06-Dec	Change
<b>BIST-100 Index</b>	106,904	108,869	1.8 % ▲	<b>EUR/USD</b>	1.1015	1.1057	0.4 % ▲
<b>TRY 2 Year Benchmark Rate</b>	12.14%	12.15%	1 bp ▲	<b>USD/TRY</b>	5.7460	5.7756	0.5 % ▲
<b>Turkey 5-Year CDS</b>	318	308	-10 bp ▼	<b>EUR/TRY</b>	6.3336	6.3883	0.9 % ▲
<b>MSCI EM Equity Index</b>	1,040	1,049	0.9 % ▲	<b>Gold (USD/ounce)</b>	1,464	1,460	-0.3 % ▼
<b>US 10-Year Bond Rate</b>	1.78%	1.84%	7 bp ▲	<b>Brent Oil (USD/barrel)</b>	64.5	66.7	3.5 % ▲

bp: basis point

Last week, data released in the US provided positive signals about economic activity in general, while leading indicators in Euro Area painted a weak picture of the economy. Geopolitical risks, especially the US-China relations, pushed up gold prices while expectations that OPEC would increase oil output cuts at its meeting held on December 5-6 put upward pressure on oil prices. In Turkey, annual CPI inflation rose back to double digits in November with 10.56%. Last week, local markets decoupled positively from global markets which faced volatility due to geopolitical developments. This week, monetary policy meetings of Fed, ECB and CBRT will be high on the agenda of the markets.

### An intensive data agenda was followed in the USA.

Data released in the US last week depicted a generally positive outlook regarding economic activity. In November, both ISM manufacturing (48.1) and non-manufacturing (53.9) PMI data remained below expectations. In the same period, nonfarm payrolls increased well above the forecasts by 266 thousand persons, while unemployment rate fell to 50-year low of 3.5%. Average hourly earnings increased by 3.1% yoy. Employment data indicated that the labor market in the country remains strong. Michigan University consumer confidence index, announced above forecasts by 99.2 in preliminary December reading, gave a positive signal regarding the course of consumption expenditures. US economy, which grew faster than predicted by 2.1% in the third quarter of 2019, is expected to maintain its strong outlook, albeit at a slower pace in the last quarter of the year. Fed is expected to leave the interest rates unchanged at this week's FOMC meeting.

### Data released in the Euro Area drew a weak picture.

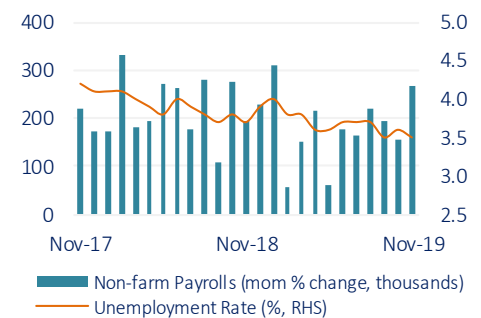
Euro Area economy grew by 1.2% in the third quarter compared to the same period of the previous year. Retail sales data for the Area in October rose by 1.4% yoy, well below expectations. Manufacturing PMI, which was 46.9 in final November reading, indicated that the contraction in the sector continued. In this period, services PMI was revised upwards to 51.9. Incoming data confirmed that overall weakness in the Euro Area economy continued.

### Increase in gold and oil prices...

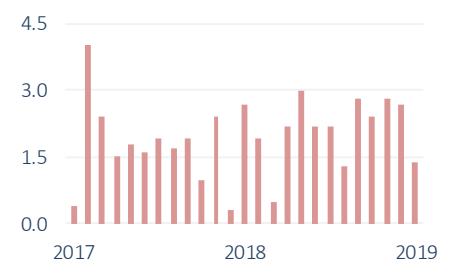
Last week, uncertainty regarding the future of the US-China trade negotiations increased, while US imposed new protectionist measures. President Trump announced that tariffs will be imposed on imports of steel and aluminum from Brazil and Argentina. In response to the digital services tax of France against US digital companies, the US announced tariffs on French products worth 2.4 billion USD and France's government replied that they would retaliate if the US followed through. Parallel to the increasing geopolitical risks stemmed from recent developments, gold prices followed an upward trend.

The Organization of Petroleum Exporting Countries (OPEC) and non-OPEC producer allies agreed to increase oil output cuts by additional 500,000 barrels a day at the meeting ended on Friday. Market expectations of a likely oil output cut before the meeting supported the oil prices throughout the week.

US Labour Market



Euro Area Retail Sales (yoy % change)



Gold and Oil Prices (3-month moving average)



Source: Datastream

### Annual CPI inflation increased to double-digit levels in Turkey.

CPI increased by 0.38% mom in November, beating expectations. In November, domestic PPI (D-PPI) recorded a limited monthly decline, falling by 0.08%. Annual CPI inflation, which declined to 8.55% in October due to basis effect, went up to 10.56% in November. Annual D-PPI inflation rose to 4.26% during same period. We think that annual CPI inflation, which reached double digits in November, will continue to increase in December due to the low base effect ([Our Inflation Report](#)).

### CBRT revised its reserve requirement regulation.

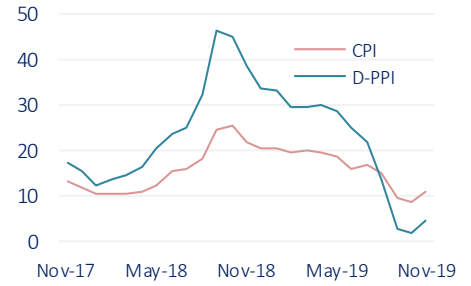
In its Monetary and Exchange Rate Policy Text released last week, CBRT announced that the Bank will hold 12 Monetary Policy Committee meetings in 2020. On December 9, CBRT revised its reserve requirement regulation that links the reserve requirement ratios and remuneration rates to loan growth rates. In the press release, CBRT stated that, at this stage of rebalancing in the economy, it would be useful to have a reserve requirement practice that would underpin financial stability by encouraging the channeling of loan supply to production-oriented sectors rather than consumption-oriented ones and that would reduce the need to update the band width.

### Financial markets...

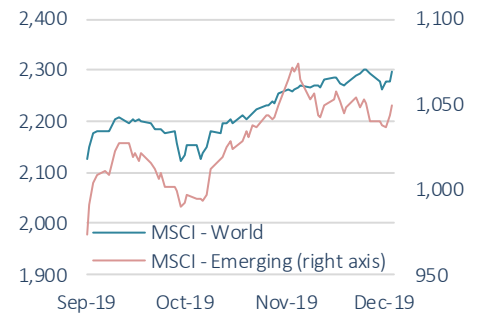
While trade barriers and bilateral politic tensions put pressure on the global markets at the beginning of the week, positive signs regarding US-China negotiations helped global risk appetite to recover during the rest of the week. Domestic markets followed a relatively favorable course. BIST-100 increased by 1.8% wow and Turkey's 5-year CDS premium fell by 10 bps. TRY, having followed a flat course throughout the week, depreciated against the dollar after Moody's' announcement that no update has been made regarding Turkey's credit rating and its outlook.

This week, monetary policy meetings of Fed, ECB and CBRT will be high on the agenda of the markets. CBRT is expected to cut the policy rate in its last meeting of this year. Domestic markets will also be monitoring October readings of industrial production and current account balance.

#### Annual Inflation (%)



#### Global Stock Markets



#### Exchange Rates



### Data Releases

		Period	Consensus	Prior
10 December	6-Month Zero Coupon T-Bill Re-open	December	-	-
	7-Year Floating Coupon Bond Re-open	December	-	-
	Germany ZEW Economic Sentiment	December	0.3	-2.1
11 December	China CPI, yoy	November	3.4%	3.8%
	TR Balance of Payments	October	-	-
	Domestic Debt Redemption (8.3 billion TRY)	December	-	-
12 December	US CPI, yoy	November	2%	1.8%
	Fed Policy Meeting	December	-	-
	CBRT Policy Meeting	December	-	-
13 December	US PPI, yoy	November	1.2%	1.1%
	Euro Area Industrial Production, mom	October	-0.3%	0.1%
	ECB Policy Meeting	December	-	-
13 December	TR Industrial Production, yoy	October	-	3.4%
	US Retail Sales, mom	November	0.4%	0.3%

Source: Datastream

## Sectoral Developments

### **Contraction in the passenger car and light commercial vehicle market continues.**

Recent recovery in the automotive market which happened as a result of the improvement in credit conditions slowed down in November. Automotive Distributors' Association figures revealed that Turkey's passenger car and light commercial vehicle total market shrank by 0.05% yoy in November. In this period, passenger car sales rose by 3.5% while light commercial vehicle sales declined by 13.6%. In January-November 2019, passenger car and light commercial vehicle sales decreased by 26% and 39%, yoy respectively. Thus in the first 11-month period, total sales fell by 28.5% to 388,560 units. Automotive Distributors' Association expects that domestic sales to be realized as 450-500K units as of year-end and the market would grow by 15% to 525-575K units in 2020.

### **Turkish construction materials production decreased in the first 9 months.**

Association of Turkish Construction Material Producers (IMSAD) published its November 2019 Sector Report. According to the report, construction materials production decreased by 7.1% yoy in September and 17.3% yoy in January-September period in line with the contraction in the domestic market. IMSAD construction confidence index, which increased during June-October 2019 period, declined in November. This actually stemmed from the decrease in the existing business activity and new orders. Decline in confidence index was considered as a sign which could indicate that the recent acceleration in the sector which was triggered by the fall in interest rates and the improvement in the credit market might not be sustainable.

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